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CLERK U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
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1 ALDEN F. ABBOTT  
General Counsel  
2 K. MICHELLE GRAJALES  
mgrajales@ftc.gov  
3 SAMUEL JACOBSON  
sjacobson@ftc.gov  
4 FEDERAL TRADE COMMISSION  
5 600 Pennsylvania Ave., NW  
6 Mail Stop: CC-10232  
7 Washington, DC 20580  
8 (202) 326-3172

9 JOHN D. JACOBS, Cal. Bar No. 134154  
10 Local Counsel  
jjacobs@ftc.gov  
11 FEDERAL TRADE COMMISSION  
12 10990 Wilshire Blvd., Ste. 400  
13 Los Angeles, CA 90024  
14 Tel: (310) 824-4343; Fax: (310) 824-4380  
Attorneys for Plaintiff

15  
16 **UNITED STATES DISTRICT COURT**  
17 **CENTRAL DISTRICT OF CALIFORNIA**

18 FEDERAL TRADE COMMISSION,

19 Plaintiff,

20 vs.

21  
22 ELEGANT SOLUTIONS, INC., a  
23 corporation, also  
24 d/b/a Federal Direct Group;  
25 TREND CAPITAL LTD., a corporation,  
26 also d/b/a Mission Hills Federal;  
27 DARK ISLAND INDUSTRIES, INC., a  
28 corporation, also d/b/a Federal Direct  
Group and f/k/a Cosmopolitan Funding  
Inc.;

Civ. No. **SACV19-01333 JVS (KESx)**

**COMPLAINT FOR PERMANENT  
INJUNCTION AND OTHER  
EQUITABLE RELIEF**

**FILED UNDER SEAL**

1 HERITAGE ASSET MANAGEMENT,  
2 INC., a corporation, also d/b/a National  
3 Secure Processing;  
4 TRIBUNE MANAGEMENT, INC., a  
5 corporation, also d/b/a The Student  
6 Loan Group;  
7 MAZEN RADWAN, a/k/a Michael  
8 Radwan and Mike Radwan, individually  
9 and as an officer of Elegant Solutions,  
10 Inc., Trend Capital Ltd., Dark Island  
11 Industries, Inc., Heritage Asset  
12 Management, Inc., and Tribune  
13 Management, Inc.;  
14 RIMA RADWAN, individually and as  
15 an officer of Elegant Solutions, Inc.,  
16 Trend Capital Ltd., Dark Island  
17 Industries, Inc., Heritage Asset  
18 Management, Inc., and Tribune  
19 Management, Inc.

Defendants.

20 Plaintiff, the Federal Trade Commission (“FTC”), for its Complaint alleges:

21  
22 1. The FTC brings this action under Sections 13(b) and 19 of the Federal  
23 Trade Commission Act (“FTC Act”), 15 U.S.C. §§ 53(b) and 57(b) and the  
24 Telemarketing and Consumer Fraud and Abuse Prevention Act (“Telemarketing  
25 Act”), 15 U.S.C. §§ 6101-6108, to obtain temporary, preliminary, and permanent  
26 injunctive relief, rescission or reformation of contracts, restitution, the refund of  
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1 monies paid, disgorgement of ill-gotten monies, and other equitable relief for  
2 Defendants' acts or practices in violation of Section 5(a) of the FTC Act, 15 U.S.C.  
3 § 45(a), and the FTC's Telemarketing Sales Rule ("TSR"), 16 C.F.R. Part 310, in  
4 connection with their deceptive marketing and sale of student loan debt relief  
5 services.  
6

7  
8 **JURISDICTION AND VENUE**

9 2. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§  
10 1331, 1337(a), and 1345.  
11

12 3. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), (b)(2),  
13 (c)(1), (c)(2), and (d), and 15 U.S.C. § 53(b).  
14

15 **PLAINTIFF**

16 4. The FTC is an independent agency of the United States Government  
17 created by statute. 15 U.S.C. §§ 41-58. The FTC enforces Section 5(a) of the FTC  
18 Act, 15 U.S.C. § 45(a), which prohibits unfair or deceptive acts or practices in or  
19 affecting commerce. The FTC also enforces the Telemarketing Act, 15 U.S.C. §§  
20 6101-6108. Pursuant to the Telemarketing Act, the FTC promulgated and enforces  
21 the TSR, 16 C.F.R. Part 310, which prohibits deceptive and abusive telemarketing  
22 acts or practices in or affecting commerce.  
23  
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26 5. The FTC is authorized to initiate federal district court proceedings, by  
27 its own attorneys, to enjoin violations of the FTC Act and the TSR, and to secure  
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1 such equitable relief as may be appropriate in each case, including rescission or  
2 reformation of contracts, restitution, the refund of monies paid, and the  
3 disgorgement of ill-gotten monies. 15 U.S.C. §§ 53(b) and 57(b).  
4

5 **DEFENDANTS**

6 **6. Defendant Elegant Solutions, Inc., also d/b/a Federal Direct**  
7 **Group (“Elegant Solutions”)**, is a South Dakota corporation formed in May 2016  
8 that has listed its principal executive office as 110 E. Center St., Ste. 2053,  
9 Madison, SD 57042 in its Articles of Incorporation. Elegant Solutions has also  
10 used 300 Spectrum Center Drive #400, Irvine, CA 92618 as its business address in  
11 communications with banks and service providers. Elegant Solutions is registered  
12 as a foreign corporation in California. Federal Direct Group is registered with the  
13 South Dakota Secretary of State as a d/b/a of Elegant Solutions. Elegant Solutions  
14 transacts or has transacted business in this District and throughout the United  
15 States. At all times material to this Complaint, acting alone or in concert with  
16 others, or as part of the common enterprise described in Paragraph 14, Elegant  
17 Solutions has advertised, marketed, offered to provide, sold, or provided student  
18 loan debt relief services to consumers throughout the United States.  
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24 **7. Defendant Trend Capital Ltd., also d/b/a Mission Hills Federal**  
25 **(“Trend Capital”)**, is a South Dakota corporation that is registered to do business  
26 in California as a foreign corporation and has listed its principal executive office as  
27  
28

1 110 E. Center St., Ste. 2053, Madison, SD 57042 in its Articles of Incorporation.

2 Trend Capital has used 3 Studebaker, Irvine, CA 92618 as its business address in  
3 correspondence with service providers and addresses including 30211 Avenida del  
4 las Banderas #200, Rancho Santa Margarita, CA 92688 in bank correspondence.  
5

6 Trend Capital incorporated in South Dakota in June 2016. Mission Hills Federal is  
7 registered with the South Dakota Secretary of State as a d/b/a of Trend Capital.  
8

9 Trend Capital transacts or has transacted business in this District and throughout  
10 the United States. At all times material to this Complaint, acting alone or in  
11 concert with others, or as part of the common enterprise described in Paragraph 14,  
12

13 Trend Capital has advertised, marketed, offered to provide, sold, or provided  
14 student loan debt relief services to consumers throughout the United States.  
15

16 **8. Defendant Dark Island Industries, Inc., also d/b/a Federal Direct**  
17 **Group and f/k/a Cosmopolitan Funding, Inc. (“Dark Island”)**, is a South  
18 Dakota corporation that is registered to do business in California as a foreign  
19 corporation. Dark Island has listed its principal executive office as 110 E. Center  
20 St., Ste. 2053, Madison, SD 57042 in its Articles of Incorporation. Dark Island has  
21 listed 3 Studebaker Irvine, CA 92618 as its business address in public documents.  
22

23 Cosmopolitan Funding, Inc., was incorporated in South Dakota in May 2016 and  
24 amended to be renamed Dark Island Industries, Inc. in June 2016. Dark Island was  
25 separately incorporated in South Dakota in May 2016. Dark Island transacts or has  
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28

1 transacted business in this District and throughout the United States. At all times  
2 material to this Complaint, acting alone or in concert with others, or as part of the  
3 common enterprise described in Paragraph 14, Dark Island has advertised,  
4 marketed, offered to provide, sold, or provided student loan debt relief services to  
5 consumers throughout the United States.  
6

7  
8 **9. Defendant Heritage Asset Management, Inc., also d/b/a National**  
9 **Secure Processing (“Heritage”)**, is a South Dakota corporation that is registered  
10 to do business in California as a foreign corporation. Heritage has listed its  
11 principal executive office as 110 E. Center St., Ste. 2053, Madison, SD 57042 in  
12 its Articles of Incorporation. Heritage has also listed 6A Liberty #125, Aliso  
13 Viejo, CA 92656 as its business address in public documents. Heritage  
14 incorporated in South Dakota in May 2014. National Secure Processing is  
15 registered with the South Dakota Secretary of State as a d/b/a of Heritage.  
16 Heritage transacts or has transacted business in this District and throughout the  
17 United States. At all times material to this Complaint, acting alone or in concert  
18 with others, or as part of the common enterprise described in Paragraph 14,  
19 Heritage has advertised, marketed, offered to provide, sold, or provided student  
20 loan debt relief services to consumers throughout the United States.  
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26 **10. Defendant Tribune Management, Inc., also d/b/a The Student**  
27 **Loan Group (“Tribune”)**, is a Nevada corporation. Tribune’s Articles of  
28

1 Incorporation, filed in 2014, identify its registered agent as Corp 95, LLC at 2620  
2 Regatta Dr. Suite 102, Las Vegas, Nevada, 89128. Tribune has listed 6A Liberty  
3 Ste. 175, Aliso Viejo, CA 92656 as its business address in public documents. The  
4 Student Loan Group is registered with the Nevada Secretary of State as a Fictitious  
5 Firm Name for Tribune. Tribune filed a Certificate of Dissolution in November  
6 2017. Tribune transacts or has transacted business in this District and throughout  
7 the United States. At all times material to this Complaint, acting alone or in  
8 concert with others, or as part of the common enterprise described in Paragraph 14,  
9 Tribune has advertised, marketed, offered to provide, sold, or provided student  
10 loan debt relief services to consumers throughout the United States.  
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15       11.     **Defendant Mazen Radwan** has held himself out as an officer of  
16 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. He has used  
17 the name “Michael Radwan” and “Mike Radwan” in bank and service provider  
18 documents in connection with the business activities alleged in this Complaint. He  
19 has been a signatory on the corporate defendants’ bank and American Express  
20 accounts and has served as the customer contact for Defendants’  
21 telecommunications and merchant processing agreements. At all times material to  
22 this Complaint, acting alone or in concert with others, he has formulated, directed,  
23 controlled, had the authority to control, or participated in the acts and practices of  
24 the Corporate Defendants, including the acts and practices set forth in this  
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1 Complaint. Mazen Radwan resides in this District and, in connection with the  
2 matters alleged herein, transacts or has transacted business in this District and  
3 throughout the United States.  
4

5 12. **Defendant Rima Radwan** has held herself out as an officer of  
6 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. She has  
7 been a signatory on the Corporate Defendants' bank accounts and has served as the  
8 customer contact for Defendants' payroll company. At all times material to this  
9 Complaint, acting alone or in concert with others, she has formulated, directed,  
10 controlled, had the authority to control, or participated in the acts and practices of  
11 the Corporate Defendants, including the acts and practices set forth in this  
12 Complaint. Rima Radwan resides in this District and, in connection with the  
13 matters alleged herein, transacts or has transacted business in this District and  
14 throughout the United States.  
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19 13. **Defendant Dean Robbins** has held himself out as an officer of  
20 Elegant Solutions, Trend Capital, Dark Island, Heritage, and Tribune. He has been  
21 a signatory on the Corporate Defendants' bank and American Express accounts  
22 and has served as the customer contact for Defendants' virtual office provider. At  
23 all times material to this Complaint, acting alone or in concert with others, he has  
24 formulated, directed, controlled, had the authority to control, or participated in the  
25 acts and practices of the Corporate Defendants, including the acts and practices set  
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1 forth in this Complaint. Dean Robbins resides in this District and, in connection  
2 with the matters alleged herein, transacts or has transacted business in this District  
3 and throughout the United States.  
4

5 **COMMON ENTERPRISE**

6 14. Defendants Elegant Solutions, Trend Capital, Dark Island, Heritage,  
7 and Tribune (collectively, “Corporate Defendants”) have operated as a common  
8 enterprise while engaging in the deceptive acts and practices and other violations  
9 of law alleged below. Defendants have conducted the business practices described  
10 below through an interrelated network of companies that have common ownership  
11 or officers, business functions, employees, office locations, and that commingled  
12 funds. Because these Corporate Defendants have operated as a common  
13 enterprise, each of them is jointly and severally liable for the acts and practices  
14 alleged below. Defendants Mazen Radwan, Rima Radwan, and Dean Robbins  
15 have formulated, directed, controlled, had the authority to control, or participated  
16 in the acts and practices of the Corporate Defendants that constitute the common  
17 enterprise.  
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23 **COMMERCE**

24 15. At all times material to this Complaint, Defendants have maintained a  
25 substantial course of trade in or affecting commerce, as “commerce” is defined in  
26 Section 4 of the FTC Act, 15 U.S.C. § 44.  
27  
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1  
2 **DEFENDANTS' DECEPTIVE STUDENT LOAN DEBT**  
3 **RELIEF OPERATION**

4 16. Since at least May 2014, Defendants have operated an unlawful debt  
5 relief enterprise that preys on consumers with student loan debt. Defendants'  
6 scheme has involved promising consumers affordable loan repayment plans,  
7 severing consumers' contact with their federal loan servicers, and pocketing the  
8 consumers' monthly loan payments.  
9  
10

11 17. Defendants have lured consumers with telephone calls and emails  
12 promising to reduce consumers' monthly student loan payments or loan balances  
13 by consolidating their loans or enrolling them in income-based repayment plans.  
14 Defendants have promised to service the repayment of consumers' student loans  
15 and, in many instances, inform consumers they have already or will "manage" or  
16 "take over" the loans. Defendants tell consumers who sign up for Defendants'  
17 services to cease making payments to their servicers and, instead, to make monthly  
18 loan payments to the Defendants.  
19  
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22 18. Defendants have then engaged in a variety of tactics to arrange for  
23 consumers' loans to go into forbearance, deferment, or zero dollar monthly  
24 payment status where lenders would not expect to receive monthly payments nor  
25 contact consumers when payments were not received. In numerous instances,  
26 Defendants have required consumers to provide their federal student aid personal  
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1 identification numbers (“FSA PINs”), or other personal information, in order to  
2 enroll in Defendant’s debt relief program. Defendants have used consumers’ FSA  
3 PINs to change the contact information on file with consumers’ federal loan  
4 servicers – effectively preventing contact between consumers and their federal loan  
5 servicers.  
6

7  
8 19. Consumers have discovered, sometimes after years of making  
9 monthly loan payments to Defendants, that Defendants failed to apply most or any  
10 of their payments to their student loans, but rather diverted consumers’ loan  
11 payments to themselves. In numerous instances, Defendants also failed to obtain  
12 the lower monthly payment amount or loan balance that they promised consumers.  
13

14  
15 20. In exchange for the promised debt relief services, Defendants have  
16 collected hundreds to thousands of dollars per consumer in illegal advance fees.  
17 Defendants have collected a total of more than \$23 million from consumers since  
18 at least January 2016. Moreover, because Defendants have failed to apply most or  
19 any of consumers’ payments to their student loans, many consumers have accrued  
20 additional capitalized interest on the balance of their loans. As a result, many  
21 consumers have owed more on the balances of their student loans after signing up  
22 with Defendants.  
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1  
2           **Background on Student Loan Forgiveness and Repayment Programs**

3           21.    Student loan debt is the second largest class of consumer debt; more  
4           than 42 million Americans collectively owe nearly \$1.5 trillion. The student loan  
5           market shows elevated levels of distress relative to other types of consumer debt.  
6

7  
8           22.    To address this mounting level of distressed debt, the Department of  
9           Education (“ED”) and state government agencies administer a limited number of  
10          student loan forgiveness and discharge programs. Most consumers, however, are  
11          not eligible for these programs because of strict eligibility requirements. For  
12          example, one program requires the consumer to demonstrate a total and permanent  
13          disability; another applies only to consumers whose school closed while the  
14          consumer was still enrolled. A third program, the Borrower Defense to Repayment  
15          (“BDR”), may provide a loan discharge if the school, through an act or omission,  
16          violated state law directly related to the borrower’s federal student loan or to the  
17          educational services for which the loan was provided.  
18

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21          23.    Other forgiveness programs require working in certain professions for  
22          a period of years. Teacher Loan Forgiveness applies to teachers who have worked  
23          full-time for five years in a low-income elementary or secondary school or  
24          educational service agency. Public Service Loan Forgiveness (“PSLF”) applies to  
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1 employees of governmental units or non-profit organizations who make timely  
2 monthly payments for a period of ten years while employed in the public sector.

3  
4 24. The federal government also offers loan forgiveness through income-  
5 driven repayment (“IDR”) programs that enable borrowers to reduce their monthly  
6 payments and have portions of their loans forgiven. IDR programs allow eligible  
7 borrowers to limit their monthly payments based on a percentage of their  
8 discretionary monthly income. To remain in an IDR program, borrowers must  
9 recertify their income and family size annually. Obtaining forgiveness through  
10 IDR programs requires a minimum of 20 or 25 years of qualifying payments.  
11  
12

13 25. Because a borrower’s income is likely to fluctuate over the life of the  
14 loan, monthly payments under the IDR programs can vary considerably from year  
15 to year. If a borrower’s income were to increase over the repayment period, for  
16 example, the monthly payment amount could correspondingly increase to the point  
17 where those payments would pay off the loan before any amount could be forgiven  
18 at the end of the repayment term.  
19  
20

21 26. Consumers can apply for BDR, PSLF, IDR, and other loan repayment  
22 and forgiveness or discharge programs through ED or their student loan servicers  
23 at no cost; these programs do not require the assistance of a third-party company or  
24 payment of application fees.  
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1           27. ED will grant forbearance while processing applications for an  
2 alternative repayment plan, and in some cases of hardship. During forbearance,  
3 and, under some circumstances, during deferment, unpaid interest is added to the  
4 principal balance.  
5

6                   **Defendants' Deceptive Marketing of Student Loan Debt Relief Services**  
7

8           28. To lure consumers into purchasing their purported student loan debt  
9 relief services, Defendants make at least three types of deceptive claims: (1)  
10 Consumers who purchase Defendants' debt relief services will be enrolled in a  
11 repayment plan that will reduce their monthly payments to a lower, specific  
12 amount or have their loan balances forgiven in whole or in part; (2) Most or all of  
13 consumers' monthly payments to Defendants will be applied toward consumers'  
14 student loans; and (3) Defendants will assume responsibility for the servicing of  
15 consumers' student loans.  
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19           29. Defendants make outbound telemarketing calls to consumers to offer  
20 their services and convince student loan borrowers to sign up with the company. In  
21 some instances, consumers view the Defendants' websites and call Defendants'  
22 telemarketers for more information.  
23

24                   **Deceptive Representations During Calls**  
25

26           30. In telephone calls, Defendants' telemarketers have told numerous  
27 consumers that Defendants will obtain a student loan repayment schedule for  
28

1 consumers with specific monthly loan payment amounts that are significantly  
2 lower than what the consumer had been paying. Defendants have typically quoted  
3 consumers a monthly payment that is half or less than what consumers were then  
4 paying their loan servicers at the time. For example, one consumer who had been  
5 paying \$200 per month was told her new monthly payment would be \$50; another  
6 consumer who had been paying \$130 per month was told the new payment would  
7 be \$61. Defendants have told numerous consumers that they will accomplish this  
8 reduced payment by consolidating or refinancing the consumers' loans, enrolling  
9 them in a loan forgiveness program, or placing consumers into an income-based  
10 repayment program. In some instances, Defendants have told consumers their loan  
11 balances will be forgiven after the consumer makes lower monthly payments for a  
12 specific period of years, for example, after three, seven, ten, or fifteen years of  
13 making loan payments to Defendants.  
14  
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19 31. In numerous instances, Defendants have represented in calls and  
20 emails to consumers that they will be purchasing, taking over, or handling  
21 servicing of consumers' loans. Defendants have instructed consumers that  
22 Defendants will handle all loan communications and that consumers should stop  
23 payments to their "previous" servicers. For example, some consumers received the  
24 following in an email from Defendants shortly after signing up:  
25  
26  
27  
28

1 During this transition you may receive calls and/or correspondence from  
2 your previous servicers, please disregard as we will encounter a short  
3 transition period.

4 If you are currently enrolled in any automatic payment withdrawals with  
5 your previous lenders, it is recommended that you check to make sure that  
6 future drafts will not be processed through your bank.

7 32. In numerous instances, Defendants have represented that consumers  
8 will make one to three initial or set-up fee payments, followed by monthly loan  
9 payments of another amount. In numerous instances, Defendants have also  
10 represented that all or most of the consumers' new, lower payments will be applied  
11 to their student loans. For example, one consumer reports Defendants "told me  
12 that \$10 of the \$51.67 [monthly payment] would be a management fee, and that the  
13 other \$41.67 would go toward repaying my loans."

14  
15  
16  
17 **Enrollment in Defendants' Debt Relief Program**

18 33. Defendants have collected consumers' personal information, FSA  
19 PINs, and bank account payment information from consumers interested in  
20 Defendants' services.  
21

22 34. Shortly thereafter, Defendants have emailed consumers a pre-filled  
23 electronic contract with an ACH authorization, which allows Defendants to take  
24 automatic debits from consumers' bank accounts, and fine-print disclosures that  
25 the consumer is requested to sign electronically. Defendants require consumers to  
26 pay for their services via ACH withdrawal.  
27  
28



1           35. Defendants have typically collected one to three “initial” payments  
2 ranging from \$100 to \$500, and then collected ongoing monthly payments in  
3 another amount, typically ranging from \$50-\$200. Defendants have collected a  
4 total of approximately \$773 to \$7,000 for their debt relief services per consumer,  
5 the majority of which consumers believe are going towards paying off their student  
6 loan debt, but which are instead going to initial and monthly fees to Defendants.  
7

8  
9           36. Defendants are not federal loan servicers and despite their  
10 representations to consumers, have not taken over or purchased consumers’ student  
11 loans.  
12

13           37. In numerous instances, Defendants have failed to obtain the promised  
14 lower monthly payments. Rather, Defendants have placed consumers’ student  
15 loan accounts into deferment or forbearance or enrolled consumers in a repayment  
16 plan with a zero dollar monthly repayment. In numerous instances, Defendants  
17 applied for zero dollar payment plans for consumers by providing false income or  
18 dependent information to consumers’ servicers.  
19  
20

21           38. In numerous instances, Defendants failed to apply the majority, if any,  
22 of consumers’ payments to their loans. Many consumers report that Defendants  
23 made no payments towards their student loans. Other consumers learned that  
24 Defendants had only made one payment to their loans in over a year or several  
25 years of participation.  
26  
27  
28

1           39. In some instances, when consumers confronted Defendants to find out  
2 what had happened to the payments that had not been applied to their loans,  
3 Defendants informed consumers that their entire payments had been collected as  
4 “handling” or “management” fees.  
5

6                           **Defendants’ Efforts to Perpetuate Their Unlawful Scheme**  
7

8           40. Defendants have engaged in additional tactics to string consumers  
9 along and prevent consumers from learning of Defendants’ scheme. For example,  
10 in numerous instances, Defendants have obtained consumers’ sign-in information  
11 and changed consumers’ contact information in their federal loan account files,  
12 effectively hindering or entirely preventing consumers’ loan servicers from  
13 communicating with consumers.  
14  
15

16           41. Defendants have used virtual office addresses and commercial  
17 corporate registrations to obscure the location and identity of the entities and  
18 individuals responsible for their actions. Defendants also informed consumers who  
19 had enrolled with National Secure Processing that National Secure Processing had  
20 been purchased by Mission Hills Federal and, as a result, that consumers’ accounts  
21 were being transferred to Mission Hills Federal. In fact, Mission Hills Federal has  
22 been operated by the same individual defendants.  
23  
24  
25

26           42. In some instances, when consumers have contacted Defendants to  
27 cancel their enrollment in Defendants’ program, Defendants have told consumers  
28

1 that they could suffer adverse credit consequences if they cancel or that they would  
2 be turned over to debt collectors. In many instances, Defendants have refused or  
3 ignored requests for refunds by consumers.  
4

5 43. Consumers have often ended up owing more on their student loans  
6 after signing up for Defendants' services based on interest that accrued while  
7 Defendants failed to repay consumers' loans.  
8

9 44. Based on the facts and violations of law alleged in this Complaint, the  
10 FTC has reason to believe that Defendants are violating or are about to violate laws  
11 enforced by the Commission.  
12

### 13 **THE FTC ACT**

14  
15 45. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or  
16 deceptive acts or practices in or affecting commerce."  
17

18 46. Misrepresentations or deceptive omissions of material fact constitute  
19 deceptive acts or practices prohibited by Section 5(a) of the FTC Act.  
20

### 21 **VIOLATIONS OF THE FTC ACT**

#### 22 **Count I**

#### 23 **Deceptive Representations**

24 47. In numerous instances, in connection with the advertising, marketing,  
25 promotion, offering for sale, or sale of student loan debt relief services, Defendants  
26 have represented, directly or indirectly, expressly or by implication that:  
27  
28

- 1 a. Consumers who purchase Defendants' debt relief services will be  
2 enrolled in a repayment plan that will reduce their monthly  
3 payments to a lower, specific amount or have their loan balances  
4 forgiven in whole or in part;  
5  
6 b. Most or all of consumers' monthly payments to Defendants will be  
7 applied toward consumers' student loans; or  
8  
9 c. Defendants will assume responsibility for the servicing of  
10 consumers' student loans.  
11

12 48. In truth and in fact, in numerous instances in which Defendants have  
13 made the representations set forth in Paragraph 47 of this Complaint, such  
14 representations were false or not substantiated at the time Defendants made them.  
15

16 49. Therefore, Defendants' representations as set forth in Paragraph 47 of  
17 this Complaint are false or misleading and constitute deceptive acts or practices in  
18 violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).  
19

20 **THE TELEMARKETING SALES RULE**

21  
22 50. Congress directed the FTC to prescribe rules prohibiting abusive and  
23 deceptive telemarketing acts or practices pursuant to the Telemarketing Act, 15  
24 U.S.C. §§ 6101-6108. The FTC adopted the original TSR in 1995, extensively  
25 amended it in 2003, and amended certain provisions thereafter. 16 C.F.R. Part  
26 310.  
27  
28

1           51. Defendants are “seller[s]” or “telemarketer[s]” engaged in  
2 “telemarketing” as defined by the TSR, 16 C.F.R. § 310.2(dd), (ff), and (gg). A  
3 “seller” means any person who, in connection with a telemarketing transaction,  
4 provides, offers to provide, or arranges for others to provide goods or services to a  
5 customer in exchange for consideration. 16 C.F.R. § 310.2(dd). A “telemarketer”  
6 means any person who, in connection with telemarketing, initiates or receives  
7 telephone calls to or from a customer or donor. 16 C.F.R. § 310.2(ff).  
8  
9 “Telemarketing” means a plan, program, or campaign which is conducted to  
10 induce the purchase of goods or services or a charitable contribution, by use of one  
11 or more telephones and which involves more than one interstate telephone call. 16  
12 C.F.R. § 310.2(gg).  
13  
14  
15

16           52. Defendants are sellers or telemarketers of “debt relief services” as  
17 defined by the TSR, 16 C.F.R. § 310.2(o). Under the TSR, a “debt relief service”  
18 means any program or service represented, directly or by implication, to  
19 renegotiate, settle, or in any way alter the terms of payment or other terms of the  
20 debt between a person and one or more unsecured creditors, including, but not  
21 limited to, a reduction in the balance, interest rate, or fees owed by a person to an  
22 unsecured creditor or debt collector. 16 C.F.R. § 310.2(o).  
23  
24  
25  
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28

1           53. The TSR prohibits sellers and telemarketers from requesting or  
2 receiving payment of any fees or consideration for any debt relief service until and  
3 unless:  
4

5           a. The seller or telemarketer has renegotiated, settled, reduced, or  
6 otherwise altered the terms of at least one debt pursuant to a  
7 settlement agreement, debt management plan, or other such  
8 valid contractual agreement executed by the customer; and  
9

10           b. The customer has made at least one payment pursuant to that  
11 settlement agreement, debt management plan, or other valid  
12 contractual agreement between the customer and the creditor;  
13 and  
14

15           c. To the extent that debts enrolled in a service are renegotiated,  
16 settled, reduced, or otherwise altered individually, the fee or  
17 consideration either:  
18

19           i. Bears the same proportional relationship to the total fee  
20 for renegotiating, settling, reducing, or altering the terms  
21 of the entire debt balance as the individual debt amount  
22 bears to the entire debt amount. The individual debt  
23 amount and the entire debt amount are those owed at the  
24 time the debt was enrolled in the service; or  
25  
26  
27  
28

1           ii.     Is a percentage of the amount saved as a result of the  
2                   renegotiation, settlement, reduction, or alteration. The  
3                   percentage charged cannot change from one individual  
4                   debt to another. The amount saved is the difference  
5                   between the amount owed at the time the debt was  
6                   enrolled in the service and the amount actually paid to  
7                   satisfy the debt. 16 C.F.R. § 310.4(a)(5)(i).  
8

9  
10           54.    The TSR prohibits sellers and telemarketers from misrepresenting  
11                   directly or by implication, any material aspect of any debt relief service, including,  
12                   but not limited to, the amount of money or the percentage of the debt amount that a  
13                   customer may save by using the service. 16 C.F.R. § 310.3(a)(2)(x).  
14

15  
16           55.    Pursuant to Section 3(c) of the Telemarketing Act, 15 U.S.C. §  
17                   6102(c), and Section 18(d)(3) of the FTC Act, 15 U.S.C. § 57a(d)(3), a violation of  
18                   the TSR constitutes an unfair or deceptive act or practice in or affecting commerce,  
19                   in violation of Section 5(a) of the FTC Act, 15 U.S.C. § 45(a).  
20  
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1 **VIOLATIONS OF THE TELEMARKETING SALES RULE**

2 **Count II**

3 **Advance Fee for Debt Relief Services**

4  
5 56. In numerous instances, in connection with the telemarketing of  
6 student loan debt relief services, Defendants have requested or received payment  
7 of a fee or consideration for debt relief services before:  
8

- 9 a. Defendants have renegotiated, settled, reduced, or otherwise  
10 altered the terms of at least one debt pursuant to a settlement  
11 agreement, debt management plan, or other such valid  
12 contractual agreement executed by the customer; and  
13  
14 b. The customer has made at least one payment pursuant to that  
15 settlement agreement, debt management plan, or other valid  
16 contractual agreement between the customer and the creditor.  
17  
18

19 57. Therefore, Defendants' acts or practices, as set forth in Paragraph 56  
20 of this Complaint violate Section 310.4(a)(5)(i) of the TSR, 16 C.F.R. §  
21 310.4(a)(5)(i).  
22

23 **Count III**

24 **Material Debt Relief Misrepresentations**

25  
26 58. In numerous instances, in connection with the telemarketing of  
27 student loan debt relief services, Defendants have misrepresented, directly or  
28



1 indirectly, expressly or by implication, material aspects of their debt relief services,  
2 including, but not limited to that:

- 3 a. Consumers who purchase Defendants' debt relief services will be  
4 enrolled in a repayment plan that will reduce their monthly  
5 payments to a lower, specific amount or have their loan balances  
6 forgiven in whole or in part;  
7  
8 b. Most or all of consumers' monthly payments to Defendants will be  
9 applied toward consumers' student loans; or  
10  
11 c. Defendants will assume responsibility for the servicing of  
12 consumers' student loans.  
13  
14

15 59. Defendants' acts and practices, as set forth in Paragraph 58 of this  
16 Complaint violate Section 310.3(a)(2)(x) of the TSR, 16 C.F.R. § 310.3(a)(2)(x).

17 **CONSUMER INJURY**  
18

19 60. Consumers are suffering, have suffered, and will continue to suffer  
20 substantial injury as a result of Defendants' violations of the FTC Act and the TSR.  
21 In addition, Defendants have been unjustly enriched as a result of their unlawful  
22 acts or practices. Absent injunctive relief by this Court, Defendants are likely to  
23 continue to injure consumers, reap unjust enrichment, and harm the public interest.  
24  
25  
26  
27  
28

**THIS COURT'S POWER TO GRANT RELIEF**

1  
2 61. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers this Court  
3 to grant injunctive and such other relief as the Court may deem appropriate to halt  
4 and redress violations of any provision of law enforced by the FTC. The Court, in  
5 the exercise of its equitable jurisdiction, may award ancillary relief, including  
6 rescission or reformation of contracts, restitution, the refund of monies paid, and  
7 the disgorgement of ill-gotten monies, to prevent and remedy any violation of any  
8 provision of law enforced by the FTC.  
9

10  
11  
12 62. Section 19 of the FTC Act, 15 U.S.C. § 57(b), Section 6(b) of the  
13 Telemarketing Act, 15 U.S.C. § 6105(b) and Section 626 of the Omnibus Act  
14 authorize this Court to grant such relief as the Court finds necessary to redress  
15 injury to consumers resulting from Defendants' violations of the TSR, including  
16 the rescission or reformation of contracts, and the refund of money.  
17  
18

19 **PRAYER FOR RELIEF**

20  
21 Wherefore, Plaintiff FTC, pursuant to Sections 13(b) and 19 of the FTC Act,  
22 15 U.S.C. §§ 53(b) and 57(b), and Section 6(b) of the Telemarketing Act, 15  
23 U.S.C. § 6105(b), and the Court's own equitable powers, requests that the Court:  
24

25 A. Award Plaintiff such preliminary injunctive and ancillary relief as  
26 may be necessary to avert the likelihood of consumer injury during the pendency  
27 of this action and to preserve the possibility of effective final relief, including a  
28

1 temporary and preliminary injunction, asset freeze, appointment of a receiver, an  
2 evidence preservation order, and expedited discovery;

3 B. Enter a permanent injunction to prevent future violations of the FTC  
4 Act and the TSR by Defendants;

5 C. Award such relief as the Court finds necessary to redress injury to  
6 consumers resulting from Defendants' violations of the FTC Act and the TSR,  
7 including rescission or reformation of contracts, restitution, the refund of monies  
8 paid, and the disgorgement of ill-gotten monies; and  
9

10 D. Award Plaintiff the costs of bringing this action, as well as such other  
11 and additional relief as the Court may determine to be just and proper.  
12

13  
14  
15  
16 Dated: July 8, 2019  
17

18  
19 Respectfully submitted,  
20 ALDEN F. ABBOTT  
21 General Counsel

22 K. Michelle Grajales  
23 K. Michelle Grajales  
24 Samuel Jacobson  
25 Attorneys for Plaintiff  
26 FEDERAL TRADE COMMISSION  
27  
28